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SUBJECT: CODEL SHELBY TOUCHES DOWN IN HANOI

¶1. (U) Summary. Senator Shelby met with Vietnamese economic officials, international organization and business representatives, and the National Assembly on August 22 in Hanoi. The Senator delivered a useful message on the need to reform the State owned enterprise sector, make capital available to small and medium sized enterprises and adopt effective anti-money laundering laws. End summary.

¶2. (U) Senator Richard Shelby and two staff members visited Hanoi for a day of meetings on August 22, 2008. The Senator opened trading at the Hanoi Securities Trading Center, where he noted the importance of efficient capital markets for economic development and the need for transparency and good regulation. Chairman of the State Securities Commission Vu Bang thanked the Senator for continuing U.S. technical assistance, noting its critical role in Vietnam's developing securities market. Senator Shelby held a brief press event for select local and international journalists. Questions focused on his views on Vietnam's economy and the U.S. - Vietnam trade relationship.

¶3. (U) The Senator and the Ambassador met with the Chairman of the National Assembly's Economic Committee, Ha Van Hien. Hien said the Economic Committee's biggest challenge was the fight against inflation. Senator Shelby counseled that small and medium businesses create the majority of jobs and so, even in difficult times, should be given access to capital. Hien responded that such businesses are a driving force in the Vietnamese economy, but although the GVN has "priority policies" for them, many are having trouble getting capital in the current market.

¶4. (U) The Senator also asked what percentage of the economy was attributable to state owned enterprises (SOEs), noting that such organizations distort the market and often rely on subsidies. Hien said the GVN is in the process of equitizing many of these companies. In turn, Hien asked about the U.S. banking sector. Senator Shelby told him that the system was large and well capitalized but that the current sub-prime problem would take a year or two to resolve.

¶5. (U) State Bank of Vietnam (SBV) Deputy Governor Nguyen Van Binh provided an extensive review of how Vietnam had arrived at its current macro-economic state. He admitted that economic management had been weak, but said that the SBV was a leader in the fight against inflation and that the latest economic numbers showed improvement. Binh called the banking sector "relatively stable" with no bankruptcies. He added that the GVN is working on new anti-inflation measures to help it achieve the goal of single digit inflation in 2009. Senator Shelby noted the importance of anti-money laundering (AML) controls in a modern financial system. Binh responded that AML is a "priority" of the GVN, especially in light of the upcoming Asia Pacific Group (APG) assessment, but noted that revision of the relevant laws is challenging. He seemed keenly aware that Vietnam's lack of AML controls is causing difficulty for

Vietnamese banks wanting to open representative offices in the U.S. and promised to send a copy of the APG assessment to U.S. regulators. The Senator and Binh agreed that micro-finance is an important tool for the development of small and medium-sized businesses.

¶6. (U) Financial sector business and international economic representatives told Senator Shelby that the Vietnamese government had taken effective steps to control inflation and reduce the trade deficit, but needed to maintain a tight monetary and fiscal stance to ensure the problems were resolved. One economist noted that, despite the likely effects on inflation, there is increasing pressure from businesses and some parts of the GVN to lower interest rates and resume the drive for higher GDP growth.

¶7. (U) Senator Shelby's staff cleared this cable.

MICHALAK